

## 49.115 Settlement of terminated incentive contracts.

(a) *Fixed-price incentive contracts.* The TCO shall settle terminated fixed-price incentive (FPI) contracts under the provisions of paragraph (j) of the clause at [52.216-16](#), Incentive Price Revision-Firm Target, and [52.249-2](#), *Termination for Convenience* of the Government (Fixed-Price).

(1) *Partial termination.* Under a partially terminated contract, the TCO shall negotiate a settlement as provided in the termination clause of the contract, and paragraph (j) of the clause at [52.216-16](#), Incentive Price Revision-Firm Target, or paragraph (1) of the clause at [52.216-17](#), Incentive Price Revision-Successive Targets. The *contracting officer* shall apply the incentive price revision provisions to completed items accepted by the Government, including any for which the contractor may request reimbursement in the *settlement proposal*. The TCO shall reimburse the contractor at target price for completed articles included in the *settlement proposal* for which a final price has not been established. The TCO shall incorporate in the *settlement agreement* an appropriate reservation as to final price for these completed articles.

(2) *Complete termination.* If any items were delivered and accepted by the Government, the *contracting officer* shall establish prices under the incentive provisions of the contract. On the *terminated portion of the contract*, the provisions of the termination clause (see [52.249-2](#), *Termination for Convenience* of the Government (Fixed-Price)) shall govern and the provisions of the incentive clause shall not apply. The TCO responsible for the termination settlement will ensure, on the basis of evidence considered proper (including coordination with the *contracting officer*), that no portion of the costs considered in the negotiations under the incentive provisions are included in the termination settlement.

(b) *Cost-plus-incentive-fee contracts.* The TCO shall settle terminated cost-plus-incentive-fee contracts under the clause at [52.249-6](#), *Termination* (Cost-Reimbursement).

(1) *Partial termination.* Under a *partial termination*, the TCO shall limit the settlement to an adjustment of target fee as provided in paragraph (e) of the clause at [52.216-10](#), Incentive Fee. The *settlement agreement* shall include a reservation regarding any adjustment of target cost resulting from the *partial termination*. The *contracting officer* shall adjust the target cost, if required.

(2) *Complete termination.* The parties shall negotiate the settlement under the provisions of [subpart 49.3](#) and the clause at [52.249-6](#), *Termination* (Cost Reimbursement). The fee shall be adjusted on the basis of the target fee, and the incentive provisions shall not be applied or considered.

**Parent topic:** [Subpart 49.1 - General Principles](#)